

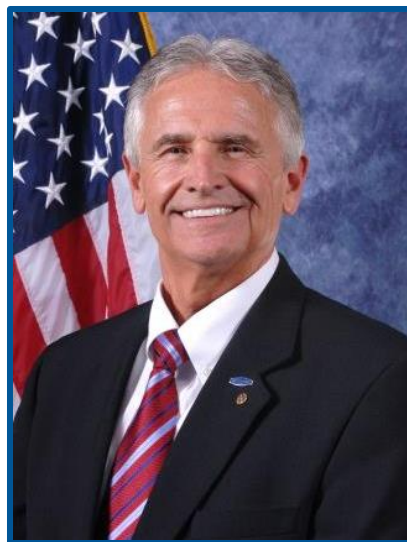
“Those who don't know history are doomed to repeat it.”

13th Annual – State of the City Address – Mayor Donald J Schonhardt

Presented – March 1, 2016

Welcome to this my thirteenth State of the City address. The theme that I have chosen for this year's address is, “Those who don't know history are doomed to repeat it.” That particular quote was attributed to Edmund Burke, who lived from 1729 until 1797. He served for many years in the British House of Commons as a member of the Whig party. He is mainly remembered for his support of the American colonies in the dispute with King George III and Great Britain that ultimately led to the American Revolution.

Before I focus on concerns that will affect our city's ability to promote economic development, I want to take a few minutes to discuss the rich past of this wonderful community. Our history is an integral part of who we are today, so let's spend a little time strolling down memory lane . . .



Mayor Donald J. Schonhardt

Hilliard was founded in 1853 by John Reed Hilliard a resident of Piqua, Ohio, who recognized early on the economic development potential of this area of central Ohio. The village was established to take advantage of the new Columbus, Piqua and Indiana Railroad which was planned to pass through this area from Columbus and continue west. Originally called "Hilliard's Station," the Village of Hilliard became incorporated on July 13, 1869 with a population of 280 residents.

In its early years, the economy of Hilliard was dependent upon farming the land surrounding the village. The proximity of the village to Columbus (10 miles) resulted in the railroad transforming the use of agricultural land for commerce, bringing large commercial and industrial development to Hilliard. The earliest businesses in the village were a warehouse built by John Hilliard in 1853, a steam saw mill built by Ralston and Kirkpatrick in 1854 and a creamery built on Columbia Street in 1892.

Around 1915, the relocation of the Fishinger Flour Mill to Hilliard, the establishment of a lumber company next to the railroad in 1916 and the construction of a grain elevator by Riddle and Wood near the railroad in 1917 were a testament to the welcome commercial environment and the transformation of Hilliard into a destination for various types of businesses. The railroad, now operated by the Panhandle Railroad, transported passengers and freight, with two round trips each day to Columbus and points west. Hilliard's Station provided freight service until 1962, when it was closed by the railroad.

In those early years, commercial buildings were frequently constructed next to houses. Being able to walk to work and make the community pedestrian friendly was paramount. A one-story commercial building constructed prior to 1872 and owned by John Westerweller was converted to a two-story commercial structure by the local chapter of Masons which used the upper floor as a masonic hall. Two (2) of Main Street's most important 19th century commercial buildings, the Winterringer Building (c.

1870) and the Odd Fellows Hall (1883), both accommodated fraternal organizations on the upper floors. Clearly, the concept of using commercial structures for other than business reasons created mixed use development that was embraced by the early inhabitants of Hilliard.

Commercial development has always been an integral part of the fiber of our community. Maintaining a welcoming business environment has been a conscious policy decision of our local elected officials throughout Hilliard's history. Today, we continue that proud tradition by working diligently to remove impediments to development and to create a framework that holds developers accountable while enforcing high development standards.

When I first took office in 2004, we were faced with the prospect of no commercial development in Hilliard. And, uncharacteristic of our past, developers were confronted with a great deal of uncertainty as they tried over and over to work with the previous city administration. Attempts to stop the rapid residential growth experienced by our community during the 1990's had resulted in the unintended consequence of making Hilliard unattractive to commercial development. The prospect of countless approvals by various boards, commissions and City Council and the lengthy timeframe to accomplish approvals resulted in a frustrated commercial development community that simply took Hilliard off their list of potential sites. Those job-generating projects went to our neighboring communities where such impediments didn't exist.

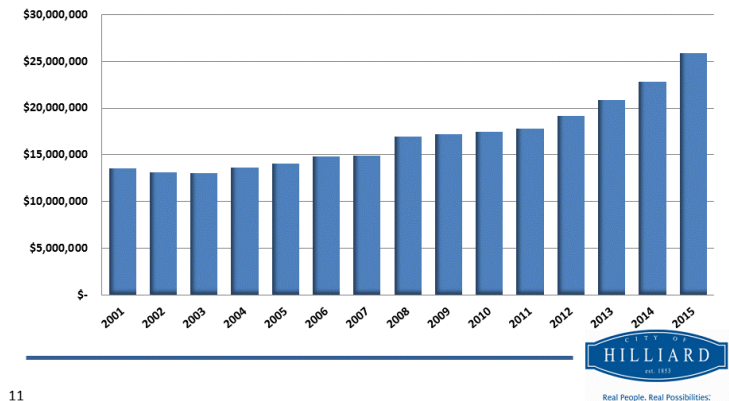
So, our choice was to sit and do nothing or rework our policies to reduce or eliminate impediments to commercial development. This included constructing millions of dollars in roadway and utility improvements that were required in order to open prime commercial development sites that would create jobs in the city and enhance property values. These efforts included the construction of Trueman Boulevard and the extension of Britton Parkway from Hayden Run Road north to the terminus of Britton Road in Columbus.

Both of these projects were costly and placed an immense financial burden on the city. The extension of Britton Parkway included the construction of a bridge over the Hayden Run and the extension of utilities north to service the City's newest commercial business, BMW Financial Services. BMW's decision to relocate to Hilliard was the first crucial step in establishing a new found trust that the City of Hilliard could deliver on its promise to provide adequate infrastructure and do so in a timely manner.

Concurrent with the northern extension of Britton Parkway, the southern portion of Trueman Boulevard was under construction opening up hundreds of acres of land to new commercial development. It was during this period of time that we were working diligently to streamline our development review and approval process. What once would have taken nine months to a year to accomplish would now be accomplished in three to six months. Approval processes that once drove businesses away from Hilliard were modified to make our community more accessible and attractive to businesses. We returned to our historic roots and created an atmosphere to welcome new businesses by beginning to operate under the mantra, "Hilliard, Open for Business."

The year before I took office as Mayor, the City's income tax revenues were slightly over \$13 million. Our expenditures that same year were \$13.1 million. We were quickly reducing an already diminished general fund reserve. Continued deficit financing was not an option. We struggled to make ends meet by not hiring replacements for employees leaving city service, not undertaking necessary capital improvement projects because the funding was not available and not adding quality of life amenities which were desired by our residents. It was an extremely difficult time for our City. Strategic changes in funding policies had to be considered.

Total Income Tax Revenue 2001 - 2015



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In order to address the inadequate funding for capital improvements, Hilliard, like the surrounding communities began to utilize Tax Increment Financing (TIF) in order to construct transportation and utility improvements that otherwise would not be affordable. TIF laws in Ohio have been on the books since the 1970's. The City of Dublin began aggressively using TIF's to fund infrastructure improvements in the latter part of the 1990's. By contrast, Hilliard was not progressing and did not avail itself of state authorized programs to assist in financing sorely needed infrastructure improvements.

By using a portion of the increase in property values resulting from new development, the city was able to finance infrastructure improvements that otherwise would not have been possible. We began to partner with the business community to utilize TIF's where the entire risk of development was assumed by the developer. This is a sound business and public policy that has served our city extremely well. If the developer doesn't deliver the project, or it isn't valued as projected, the developer is on the hook for paying the shortfall for the construction of public infrastructure improvements that benefit, not just their project, but the entire community. And clearly, without the infrastructure, the increase in property values would not have been forthcoming.

The concept of a TIF is very difficult to understand, particularly when a few people would have one believe that a TIF is used by the City to construct private development. Nothing could be further from the truth. In the simplest of terms, a TIF uses the incremental increase in property value generated by new development to pay for public roadways and utilities that benefit the entire community. TIF funds are not used for roadways or utilities within the private development - those costs are always the sole responsibility of the developer. Tax Increment Financing, therefore, provides that the increased property value created by the developer in the construction of their project goes in part to pay for the arterial roadways and utility improvements that will benefit the entire community for years to come. In addition, by requiring the developer to both construct and finance the public arterial roadways and utilities, the city has effectively transferred all of the development risk to the developer.

Simply said, if the private improvements do not generate sufficient TIF funds to pay the developer for the public improvements that are the responsibility of the local government, the developer is stuck paying those costs, and yet the city receives the benefits from the improved arterial roadways. And it is important to remember that TIFs are limited in the percentage of the increased property values that can be used and for a limited number of years. Several TIFs in the City are at 75% for 10 years. During those 10 years, all voted taxing districts receive that 25% in increased value – something they would not receive if the project never developed. Any new tax levy that is passed by the voters after a TIF district is put in place that funds county social services, the zoo or library are not included in the TIF. At the expiration of 10 years, all voted taxing districts receive the entire increase in value attributable to the project. And if the project requires a TIF exceeding 10 years, they are non-school TIFs – meaning that the Hilliard City School District and Tolles Technical School receive all of the increase in value in property taxes generated by the project.

An example of the City negotiating a TIF for a major public infrastructure improvement was the construction of Riggins Road from Britton Parkway west toward Wilcox Road. As part of the developer's project approval, they were required to build the aforementioned section of Riggins Road, a five lane section of arterial roadway improved with curb and gutters and all public utilities. Upon completion of the Riggins Road construction by the developer, the downturn in the real estate market resulted in the developer not commencing construction of his project. It wasn't until nine years later that the private development was finally under construction and the TIF expired within a year of commencing the private development. The result was that the developer built the entire section of Riggins Road and was only repaid approximately one year's worth of TIF funds; a clear win for the residents of Hilliard. So it is important to realize that the City negotiates these projects so that the developer cannot come back on the City for any shortfall in TIF funds.

It is also important to understand that in 2005, the five-year capital improvement program called for \$77 million dollars in capital improvements. Given the state of the City's finances and the past practice of deficit financing, we were simply not capable of funding major capital infrastructure improvements.

10 Year Construction Trends

Commercial Outpaces Residential Growth



That is clearly why the need for improved infrastructure had grown to the proportions it had and why, in part, commercial developers were not interested in bringing their projects to Hilliard. From 2005 – 2015, the city has expended in excess of \$133 million on capital improvements.

Our progressive approach to economic development began to yield positive results. For 10 of the last 11 years, commercial construction has outpaced residential construction, leading to higher property values and more jobs for our community. The addition of new jobs in the city began to result in

a growth of income tax revenues which allowed for the enhancement of transportation and utility project improvements that otherwise would not have been possible. This included such roadway and streetscape improvements as Norwich Street, Main Street and Northwest Parkway; the complete reconstruction of the triangle project and Hilliard-Rome Road, improvements to Leap Road and the expenditure of over \$1 million annually for 9 of the last 10 years on street maintenance. Total street maintenance expenditures in 2015 was \$1,729,700, with \$1.6 million included in the 2016 capital improvement budget. In contrast, the city was only able to expend \$329,000 on street maintenance in 2004.

Commercial growth also afforded us the opportunity to address quality of life amenities that were in demand, but we were unable to address due to a lack of funds. Such projects as the Hilliard Family Aquatic Center, First Responders Park, Hilliard's Station Park, multiuse path construction, the purchase of the Grener site from the school district for the development of athletic fields and new Police Division community involvement programs designed to enhance citizen awareness and public safety would not be possible without the progressive policies we put in place that have benefitted the entire community.

The purchase of the Grener site has also afforded Hilliard the opportunity to make the Bo Jackson Elite Sports Training Facility a reality. Thanks to the cooperation and assistance from the Mayor of Columbus, Andrew Ginther, the ground breaking for the Bo Jackson Facility in the northwest quadrant of the Grener site will bring a world class athletic training facility to Hilliard for the benefit of all of central Ohio.

We in local government have worked to move Hilliard into the 21st century in an effective and efficient manner; one of the things I am quite proud of is the fact that we have never lost sight of our rich agricultural and railroad heritage. In fact, you see the word "heritage" throughout our community whether referring to a private business like the Heritage Golf Club, schools like Heritage Middle School or residential neighborhoods like Heritage Lakes or Heritage Preserve. Heritage is an integral part of the fiber of our community. But what originally moved Hilliard's into the age of commerce was the railroad aptly named Hilliard's Station. It was the insight exhibited by John Reed Hilliard that initiated the inevitable development of the community we call home.

What I have realized during my years in office is that we can honor our heritage and be progressive at the same time. This administration, and your local elected officials, would not implement policies that were not results-driven and which would not benefit the entire community. We work to solve problems – not to create them. We work to move the City forward in a responsible manner by making tough decisions. The easy way out in many of these situations would be to simply sit back and do nothing, but instead we have worked diligently with business owners, citizen groups and developers and to grow responsibly and to require the construction of new development projects with high standards. We have found ways to overcome roadblocks by using tools available to us; by using them strategically and by demanding results that benefit our entire community. I urge the community to keep this tool box open and trust that we will continue to make Hilliard a premier community in Central Ohio as we have since I began my first year in office.

Twelve years ago in 2004, the valuation of Hilliard real estate was \$690,220,810, the most current valuation (2013) is \$861,615,364 a \$171,394,554 increase which is roughly 25%. At the end of 2003, our annual revenue from income tax was \$13 million. Today income tax receipts have steadily increased,

approaching \$26 million and continuing to grow. This doesn't happen by accident or by being anti-growth. Our architectural, landscaping and graphic standards now require the highest quality design. We have additional police officers, new community policing programs, parks, restaurants, community amenities and, our roads are actually constructed to accommodate future projected traffic. I ask that you look at the progress we have made in the last fourteen years and put your trust in the proven track record we have established and the continued progress we have planned through the coming years.

Keeping Hilliard Beautiful ?



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The last several slides of the PowerPoint presentation showed examples of the improvements that have been made possible based upon the economic development policies we have employed throughout my term in office. In most of those slides, I included before and after pictures to highlight the improvements that have been provided to the community. I ask you each to look at the slides and decide for yourself if Hilliard is more beautiful today than it was before the improvements were constructed.

Thank you all for coming and thank you for the individual efforts of countless members of our community who understand the importance of protecting Hilliard's future!

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